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July 24, 2003

ORIGINAL

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Ms. Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, SW, Room TW-A325 Washington, DC 20554

RECEIVED

JUL 2 4 2003

RE:

Wireless Local Number Portability CC Docket No. 95-116, EX PARTE

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Ms. Dortch:

On July 23, 2003, Cingular Wireless LLC ("Cingular") represented by Brian Fontes, Vice President of Federal Relations and Jim Bugel, Executive Director for Federal Regulatory Affairs, met with Commissioner Kathleen Abernathy, Matthew Brill, Senior Legal Advisor and Jennifer Manner, Senior Counsel. The parties discussed FCC mandates imposed on the wireless industry and the classification of these mandates into two broad categories: 1) those rules addressing the safety of life and property, e.g., E-911, CALEA and multiple homeland security directives; and 2) those rules adopted for customer convenience, e.g., Local Number Portability. In addition, Cingular noted that due to limited capital resources of the wireless telecommunications sector, the priority should be given to those rules addressing the safety of life and property, such as E-911, CALEA and homeland security, especially as we better prepare our nation for the war on terrorism. The government should defer mandates providing "customer convenience", such as wireless Local Number Portability, to a later time, perhaps tied to the complete deployment of E-911.

The attached document was used for discussion purposes. Please associate this notification and the accompanying document with the referenced docket proceeding.

Pursuant to Section 1.1206 of the Commission's Rules, this notification is being submitted to your office. If you have any questions concerning this submission, please contact the undersigned.

Sincerely

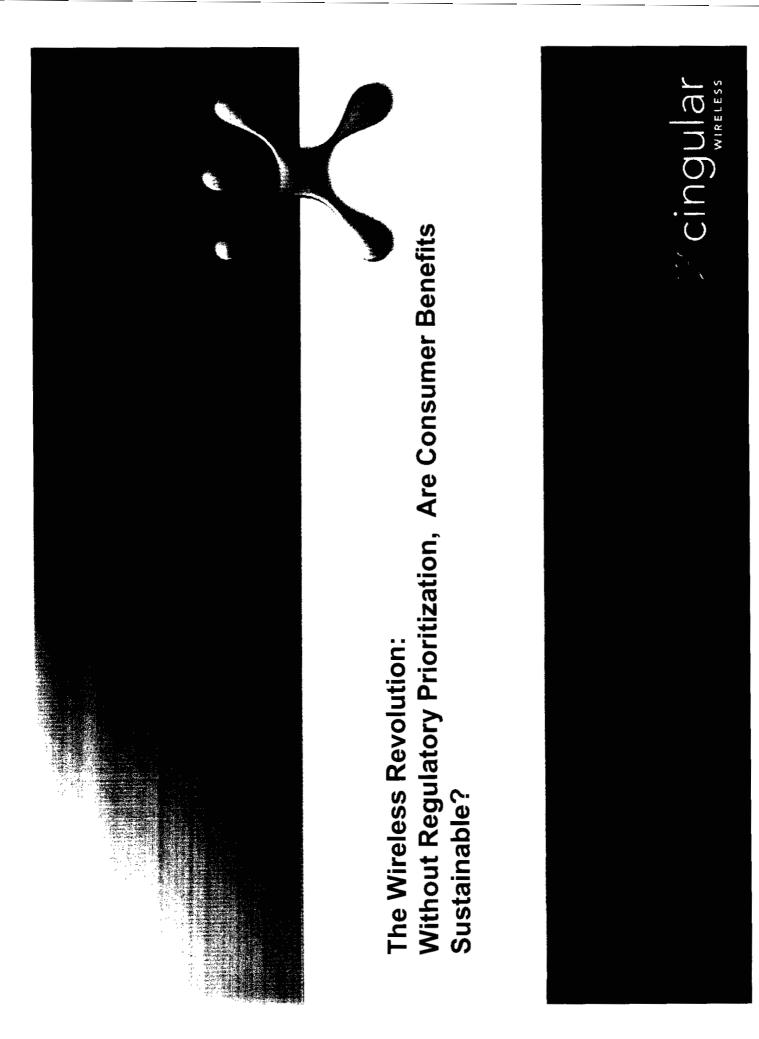
Jim Bugel

Executive Director-Federal Regulatory Affairs

Attachment

Cc: Commissioner Kathleen Abernathy

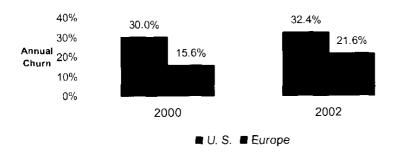
Matthew Brill Jennifer Manner





Intense price competition encourages consumers to "carrier hop" for the best deal, and results in high acquisition costs as carriers battle for market share.

Annual Customer Churn: U. S. National Carriers vs. Europe



- About one third of U. S. customers change carriers each year
- Only about 22% of European customers switch carriers each year

Customer Acquisition Costs: U. S. versus Europe



2000

- > High domestic customer churn leads to higher acquisition costs
 - · Higher handset discounts
 - Increased marketing, advertising and commissions

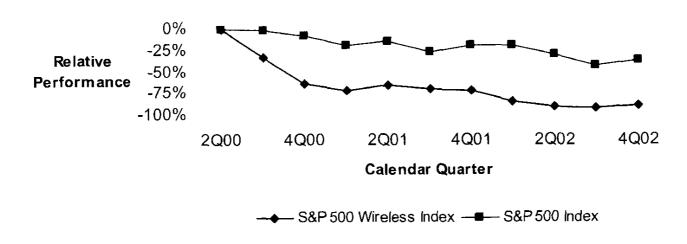
Source: Endicott, Dominic. "Is Low Telecom ROIC Here to Stay, and How Long Will Investors Bear This? Booz Allen Hamilton, March 14, 2003

2002



Equity values have plummeted relative to the S&P 500 as investors express concerns about the industry's health.

Relative Equity Returns - Wireless Compared to the S&P 500



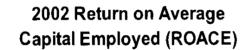
- Negative cash flow
- > Strained balance sheets

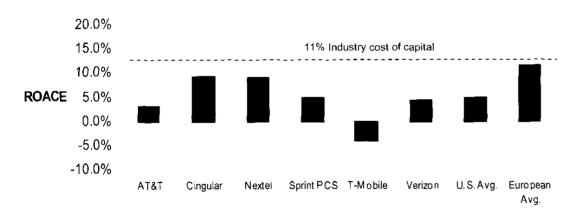
> High capital investment requirements

Source: Bloomberg Data Base



Wireless requires willing investors in order to attract needed capital to upgrade networks and develop advanced voice and date products.



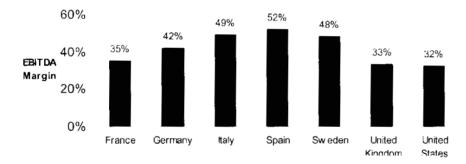


- > Wireless is not earning its cost of capital
 - Industry return on capital just 4.8%
 - Cost of capital is about 11%
- > Future investment requirements at risk
 - > Additional network capacity
 - > Upgrade to 3G
 - > Data products and services

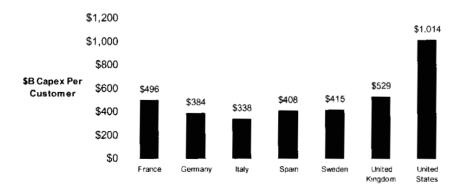


Wireless requires willing investors in order to attract needed capital to upgrade networks and develop advanced voice and date products.

U.S. and European EBITDA Margins (2002)



Cumulative Capex Per Sub - U. S. Versus Europe



: Bath, Blake. "Gaining Maturity... Often Isn't Pretty." Lehman Brothers, March 27, 2003

Lower Revenue per Minute

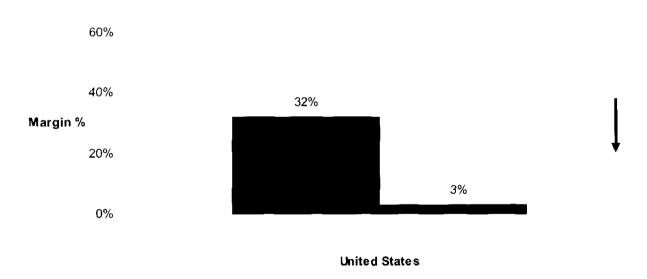
- + Higher Minutes of Use
- + Higher Churn
- + Higher Acquisition Costs

= | Lower Profit Margins = | Higher Capital Requirements



Domestic wireless carriers are not earning their cost of capital and are significantly underperforming their international counterparts.





■ EBITDA as % of Revenue ■ EBITDA Margin net of Expense and Capex

Negative economic returns cannot continue indefinitely, and investors will continue to avoid the wireless industry until returns improve.



Domestic wireless carriers produce negative cash flow and will require additional investment to fund continued infrastructure expansion and development.

U. S. Wireless Industry
Capex and Free Cash Flow

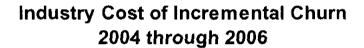


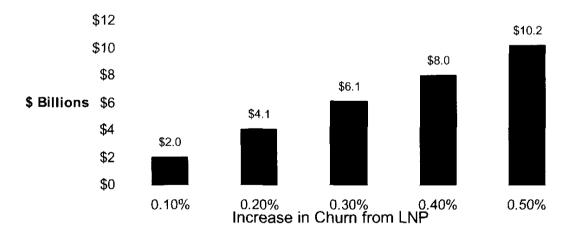
■ Industry Capital Spending
■ Wireless Free Cash Flow

Continued decreases in capital investment will be required unless profitability improves.



Eliminate mandates, such as local number portability (LNP), that impose an unnecessary cost on consumers and carriers.





- Consumers already enjoy, and exercise, freedom to switch carriers
 - · Churn rate much higher than Europe
 - Customer acquisition costs high, approximately \$345
- >WNP could increase increase churn
- ➤ Cost could reach \$10B over 3 years based on incremental churn/month of 0.5%
 - Less investment available to build and expand infrastructure
 - Weakened technology position relative to international markets
 - Fewer advanced products and services
 - Increased costs to consumers



Public policies should promote a fair playing field for all competitors, and the marketplace should determine the winners.

- ➤ The federal government regulations imposed on the wireless industry can be classified in two broad categories; 1) those rules addressing the safety of life and property, e.g., E9-1-1, CALEA and multiple homeland security directives; and 2) those rules adopted for customer convenience, e.g., Local Number Portability.
- ➤Today, due to limited resources of the telecommunications sector, the priority should be given to those rules addressing the safety of life and property, such as E911, CALEA and homeland security, especially as we better prepare our nation for the war on terrorism. The government should defer "convenience" mandates, such as Wireless Local Number Portability, to a later time, perhaps tied to the deployment of E-911.

Appendix



Table 44: Wireless Number Portability Impact Assessment

(Millions)	2004E	2005E	2006E	Total 2004E Thru 2006E
Beginning Industry Subscribers	152.2	161.2	168.7	
Ending Industry Subscribers	161.2	168.7	174.9	
Industry Net Additions	9.0	7.5	6.2	
Average Industry Subscribers	156.7	164.9	171.8	
Penetration	54.7%	56.7%	58.2%	
CPGA	\$354	\$344	\$334	
Incremental Churn/Month				
0.1%	\$666	\$680	\$687	\$2,033
0.2%	1,331	1,360	1,375	4,066
0.3%	1,997	2,039	2,062	6,099
0.5%	3,329	3,399	3,437	10.165

Source: Merrill Lynch Research Estimates